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Commercial and Political Aspects of Present Day Germany

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NOTHING would be more difficult at this moment than to attempt to give a definite picture of anything as shifting as the economic and political situation in Germany, and certainly nothing would be more hazardous than to venture upon a prophecy as to the outcome of the present transition period, and the future development of a country depending so largely upon the stipulations and restrictions of the Treaty of Versailles.

There are certain outstanding features, however, which my close connection with the German commercial world as far back as 1885, both in a private capacity and as the President of the American Chamber of Commerce, may enable me to present with a reasonable claim to accuracy and fair-mindedness, aided by the circumstance that it has been only a few weeks since I returned from my second visit to Germany since the signing of the armistice.

I was in Berlin at the outbreak of hostilities and remained there during the first six months of the war, a close observer of the lightning-like rapidity with which the industries of the country were placed on a war basis, the restrictions put upon nonessentials, the rationing of foodstuffs, and the putting forth of every ounce of national energy and initiative in the supreme task of winning the war and winning it quickly.

The people were sure of victory, and the soldiers were imbued with the idea that they were defending the boundaries of the Fatherland. This was the

condition of affairs when I left Germany in January, 1915. I remained in the United States until June of the same year. In the meantime, the British Order in Council had been proclaimed, the Allied blockade was in full force, and the German submarines were doing their deadly work.

Upon my return to Berlin, I found conditions changed. The question of food supplies was becoming very serious. The reverses on the battle field were creating doubts of success. Political conflicts were growing bitter, and the hope of an early end to the war was disappearing. The feeling at that time was one of resignation.

Milk, sugar and fats were to be had only by smuggling them through from neighboring countries at exorbitant prices; the export business was at a standstill, and the manufacture of products for home consumption limited by the inability to obtain raw materials.

Germany had reached the zenith of her prosperity in 1914. By January of 1915 it was evident that the moral, physical and financial decline of the nation was making rapid progress. Towards the close of 1916, conditions were growing desperate and the government leaders were hoping for a peace even without victory.

This was the state of affairs when I again started for the United States on January 17, 1917, after presiding at a banquet given Ambassador Gerard by the American Association of Commerce and Trade. It was on this occasion that Ambassador Gerard

made the widely-quoted statement that relations between Germany and the United States had never been better, an utterance which everyone was justified in interpreting as "inspired," owing to the fact that the Ambassador had just returned from an official visit to Washington. My surprise and consternation can be imagined when, en route, the wireless brought us the news of the breaking of diplomatic relations between the two countries.

I remained in the United States throughout the war and sailed for Holland January 23, 1919, two months after the armistice had been signed. I found but few Americans at the Hague, these being representatives of some of the leading firms who had large interests in Germany awaiting developments.

Unfortunately, the Americans were restricted not only from entering the country, but from having any personal intercourse with the enemy. This state of affairs continued for several months.

In July, 1919, I was requested to accompany our commercial attaché at the Hague to the occupied territory to make an investigation. We visited Cologne, Bonn, Coblenz and cities along the Rhine. We found the river at Cologne crowded with ships filled with merchandise, the shops displaying all kinds of English and French goods, and business going on in a great volume. A British Chamber of Commerce had been organized, and the President informed us that its members, comprising all branches of trade, were doing a large amount of business, much of which was being transported to the unoccupied territory through the "Hole in the West," as it was called.

On July 31, the American business men received the first notice through the Legation at the Hague that they

could trade freely with Germany, excepting on dyes, potash, drugs and chemicals, for which special permits would be required. We were also allowed to enter Germany on our own responsibility. I immediately made my preparations and left for Berlin within a few days after the orders were issued.

On reaching the frontier at Ben-
theim I could see immediately how demoralized the country had become. The train which was made up at that point was dilapidated in every respect, the windows broken, the plush from the seats had disappeared, and every article which could be removed had been taken or literally stolen. One was informed that socialism was rampant in its worst form, and that nothing was safe unless securely held in one's possession. One could hardly believe that the morals of a people once so trustworthy, honest, frugal, efficient and industrious could have become so loose and degenerated.

The trains were overcrowded; there were no time-tables, and things seemed to go on just as they pleased, leaving Providence to take care of things as best it might.

I found the people in a depressed condition with little or no hope for the future. Their faces looked pale, their bodies thin and with a certain dejection, and their main topic of conversation was "Food." Their only hope lay in resuscitating their bodies; then business would take care of itself. Communism, Spartanism and Socialism, were staring them in the face; revolutions were taking place; others were feared. The winter was approaching with the scarcity of coal, and the fear of suffering from both cold and hunger was intense. Such were the conditions which I found. Nevertheless, I had the feeling that, in their great distress, the Germans

were like men with their backs to the wall, determined to revive and renew their former prosperity, and take their places again among the nations of the world. There had been, during all this period of the Great War, people who amassed great fortunes through specialized industries and profiteering, and who were able to supply themselves not alone with the necessities, but also with the luxuries of life; but for the average person these were doleful and distressing times.

I again returned to Germany on July 1 of this year, and passing through the same frontier I noticed a perceptible change for the better. Through the kindness of the Charge d'Affaires of the German Legation, who gave me a letter of introduction to the custom official at the border, to extend me the courtesy of the customs, compatible with regulations, my luggage was passed with a superficial examination. For some unknown reason, two pieces of my luggage were left behind at the Dutch border. The official at Ben-heim immediately phoned to reassure me that they were not lost, and said he would forward them to Berlin by the next train. I offered him 100 marks to defray any expenses connected with same, and begged him to buy some cigars for himself for any amount which was in excess of any charges incurred. He politely refused my offer, assuring me that there would not be any outlays. A fellow passenger, who had crossed at the same time and who occupied a seat in the same compartment, who was desirous of avoiding the annoying formalities of examination, had placed 50 marks on the top of his travelling bag hoping that the officer would take the tip and pass him through without delay. The money remained untouched, and even the cigarettes which he offered were refused, although tobacco was expen-

sive and a luxury which was very tempting. Here were the first evidences of returning honesty.

One was made to feel that the Germans were passing through a transition period connecting the era of military obedience and military discipline with the new era of democratic and voluntary subordination.

The train now was composed of through-vestibule cars, as in former days, with a dining-car attached. Everything looked clean and orderly. Seats were reserved, and a simple meal furnished for a moderate amount, especially when transferred into American money value. We reached our destination on time, the journey taking a few hours longer than in prewar times, due to the poor quality of coal and the condition of the rolling stock. We found cabs and taxis at the station on arrival, although at midnight, and had no difficulty in getting a porter to carry the luggage.

I remained in Berlin for a period of three weeks, and during my stay had many conferences with bankers, captains of industry, proprietors of large department stores, leading government officials, members of all political parties, and informal talks with the working classes. Germany was now passing through a commercial crisis. While I found food could be had in all varieties without ration cards, the prices were very high in the value of their own currency. The price of rooms in the hotels was excessive in comparison to former days. The shop windows displaying latest novelties, the windows dressed in attractive forms, but once inside, the stock offered was of inferior grade; prices had been reduced within the past few weeks 20 per cent to 25 per cent but still no purchasers. Manufacturers and dealers were complaining bitterly, and, while it may seem paradoxical, the

cause was attributed to the rapid rise in the value of the mark, jumping within a few weeks from 100 to 300 per cent. Buyers had overstocked themselves at the low rate of exchange, paying 100 marks for material which could now be bought for 40. Great losses, therefore, were staring them in the face. Banks were restricting credits to avoid speculation, and the business men were growing pessimistic day by day. There was a serious condition for which some remedy must be found. Many practical business men are seeking a plan to relieve the situation. The high cost of raw material, the continual rise in wages, vexatious governmental regulations, high rates of freight, excessive cost and scarcity of coal are making it impossible to compete with foreign manufacturers. In consequence, very few buyers from neutral countries are placing orders, and cessation of purchase at home are compelling factories to shut down or to operate on half time.

The increase in the value of the mark is attributed to the large amounts of German money and city bonds which have been bought by all nationals in neutral lands. This is considered more speculative than healthy, and the general tendency of opinion is that the mark will fall again and only resume its value gradually, as Germany is in a position to produce and again resume its place in export trade.

Measures to increase production are of the utmost importance in any systematic attempt to lower prices, but unless they are supported by the serious will to work of the entire population, they will signify nothing more than an artificial manoeuvre.

The question of imports and exports is another that has a profound bearing upon the entire situation. If Germany is to come anywhere near fulfilling her treaty obligations, she can

accomplish it only by increased exports and decreased imports. Unfortunately, however, the chief export articles (iron, steel, coal, coke, textiles and leather) are more or less confiscated under the conditions imposed by the Treaty. This leaves only potash and dyes as the two admissible export articles, but these alone could not bring about an essential betterment of conditions. The question of imports is even more difficult. Wheat, flour, butter, cheese, coffee, tobacco and other commodities, formerly considered necessities, are today unattainable luxuries for the mass of the population. To curtail the already inadequate import in foodstuffs and raw materials would mean direct starvation instead of a mere food shortage.

Although nearly two years have passed since the armistice was signed, the United States is without consular representation in Germany. It is occupation without representation. Our former associates in the war are busily engaged in gaining control of German industries and establishing business connections which the Germans frankly would like to have formed with the United States. I understand they would not only welcome American business men in Germany, but I heard a great deal said about the natural and inevitable union of American capital and American enterprise with German labor and German experience in opening up the vast unworked fields of Russia proper and Siberia.

The credit of 45 million dollars given by the five big meat packers, the loan given by Holland, the investment of 25 million marks of American capital in the *Allgemeine Elektrizitäts* works, the large purchases of above-mentioned money and securities by foreign nations, the buying of land and prop-

erty by all countries, the attitude of the Entente at the Spa conference, are all producing hopeful conditions, and this despite the fact that the terms are still excessive and many Germans con-

sider it doubtful whether or not they can be carried out. But the firm determination of the present government is to fulfill its obligations, if humanly possible.